

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Health and Human Services

Utah Department of Human Services
Summary

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1.0 Department of Human Services

Summary

The Department of Human Services is established and functions under authority of Title 62A of the Utah Code. In addition to the Executive Director Operations budget, there are seven divisions within the Department of Human Services. These include the Divisions of Substance Abuse and Mental Health, Services for People with Disabilities, Aging and Adult Services, Office of Recovery Services, Child and Family Services, and Youth Corrections. The Youth Corrections budget is heard in the Executive Offices and Criminal Justice appropriations subcommittee and its budget is not part of the figures in this report. The Legislature combined the two formerly separate divisions of Mental Health and Substance Abuse into one Division of Substance Abuse and Mental Health in 2002.

1.1 Department Budget Summary

The following table summarizes the Analyst's FY 2005 base budget, recommended changes, and the Analyst's FY 2005 recommended budget of \$468.7 million (\$199.3 million General Fund). The General Fund changes in the Analyst's FY 2005 base budget includes the reduction for one less pay day in FY 2005 (\$254,600 General Fund); the restoration of \$235,000 General Funds in the Division of Services for People with Disabilities (DSPD) that were switched for Trust Funds on a one-time basis in FY 2004; the loss in FY 2005 of the one-time \$350,000 General Funds appropriated to DSPD in FY 2004 for non-waiver services.

The FY 2005 Analyst recommended budget includes the movement of funds from various divisions in the Department to consolidate the human resource (personnel) function in the Executive Director's Office (EDO). It also includes the transfer of funds and one position from EDO to the Office of Recovery services due to shifting workloads. Both of these funding shifts result in a net zero change overall in the Department.

The Fiscal Analyst has also recommended an increase of \$100,000 in the FY 2005 appropriation from two restricted funds in the Division of Child and Family Services.

	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Financing			
General Fund	\$199,272,900	\$0	\$199,272,900
General Fund Restricted	3,847,200	100,000	3,947,200
Federal Funds	118,893,100		118,893,100
Dedicated Credits	11,514,300		11,514,300
Transfers	133,206,300		133,206,300
Beginning Balance	3,112,700		3,112,700
Closing Balance	(1,209,200)		(1,209,200)
Total	\$468,637,300	\$100,000	\$468,737,300
Programs			
Human Services	\$468,637,300	\$100,000	\$468,737,300
Total	\$468,637,300	\$100,000	\$468,737,300
FTE/Other			
Total FTE	3,645		3,645
Retained Earnings	\$84,440	\$0	\$84,440
Vehicles	382	0	382

2.0 Issues: Department of Human Services

2.1 The Analyst's FY 2005 General Fund Base Budget

The Analyst's starting point for the FY 2005 recommended budget is the "Analyst FY 2005 Base" budget of \$199,272,900, as shown in the table below. The FY2005 base budget restores the \$235,000 in General Funds in the Division of Services for People with Disabilities (DSPD) that were switched for Trust Funds on a one-time basis in FY 2004. The FY 2005 base budget also reflects the loss of the one-time \$350,000 General Funds appropriated to DSPD in FY 2004 for non-waiver services. The reduction for one less pay day in FY 2005 (\$254,600 General Fund) is also part of the FY 2005 Analyst's base budget.

DEPARTMENT OF HUMAN SERVICES	
FY 2005 General Fund Base Budget	
Original FY 2004 Appropriation (H.B.1)	\$ 200,113,500
Supplemental (S.B.3) - Net Budget Adjustments	<u>(471,000)</u>
Net Authorized FY 2004	\$ 199,642,500
One-time Funds for Extra Work Day in FY 2004	(254,600)
One-time Funds for Nov-waiver DSPD Services in FY 2004	(350,000)
Reverse One-time Funding Switch with DSPD Trust Fund	<u>235,000</u>
FY 2005 Analyst General Fund Base Budget	<u><u>\$ 199,272,900</u></u>

2.2 Consolidation of Department Human Resource Personnel

The Department's Office of Human Resources (OHR) recently consolidated all human resource functions in the Department. All 55 FTEs now work under direction of the Department's HR director. Positions and related budgets need to be transferred from other divisions in the Department to the Executive Director's Office (EDO), including a transfer of \$251,500 of General Funds from the Division of Youth Corrections. The Analyst's FY2005 recommended budget reflects these transfers to OHR except the transfer from Youth Corrections. As the Division of Youth Corrections budget is heard in another appropriations subcommittee, this portion of the transfers needs action by the Executive Appropriations Committee. A supplemental appropriation for FY 2004 will also be needed.

2.3 Previous Budget Reductions

Compared with the original FY 2002 appropriation, the DHS budget for FY 2004 has seen its General Fund reduced by approximately \$16.7 million in administrative and program reductions. This is about 7.7 percent below the original FY 2002 level. The total FY 2004 appropriated budget (all funds) is down by about \$4.8 million (about 1 percent) from the original FY 2002 appropriation. Medicaid and other federal funding has increased by \$11.5 million (or about 5.1 percent) since the original FY 2002 appropriation. See Additional Information Section 4.1 in this report for a five year budget history.

2.4 Department of Workforce Services' "eREP" Data System Requirements

Modifications to existing Department of Human Services' data systems are required to enable them to communicate with the Department of Workforce Services' (DWS) new data system ("eREP") which will replace PACMIS. DHS currently uses PACMIS to determine and record eligibility for Medicaid services (in its SAFE and USSDS systems). It also uses DWS' data system for timely referrals for child support services, medical support enforcement and establishment of Medicaid third party liability. The Department requests a one-time appropriation of \$902,000 (\$509,400 General Fund) for contracted programming services. If funds become available, the Analyst recommends the Legislature consider funding this critical need.

2.5 State Hospital Rampton II Addition

The second and final wing of the new Rampton complex at the State Hospital was formally opened last October. The completed Rampton complex will house the majority of patients at the Hospital. Patients and staff from the old Hyde building have transferred to the new facility. Part of the move involved the youth program. As the new facility's structure divides this group into two smaller sections, the Division is requesting funds for an additional 19 FTE employees to fully staff the new facility (\$265,800 General Fund). If funds become available, the Analyst recommends the Legislature consider funding this critical need. Another \$90,200 (General Funds) would be required as an FY 2004 supplemental appropriation.

2.6 Rental Cost Increases

The Department has requested additional funds of \$406,600 (\$213,100 General Fund) for rental increases on various regional offices around the State of the Office of Recovery Services (ORS) and the Division of Child and Family Services. This also includes the main ORS Salt Lake office. If funds become available, the Analyst recommends the Legislature consider funding this critical need.

2.7 DCFS Out of Home Services Budget Increase Requests

The Division has identified additional funding need of \$578,500 (\$336,700 General Fund) in “Out of Home Services” for a growing number of children in service projected for FY 2005. The Analyst recommends the Legislature consider this critical need as funds become available

2.8 DCFS: Additional Adoption Services Needs

As the number of children being adopted from State custody grows, additional funds are needed to provide the adoption services and subsidies required. Another 330 such adoptions are anticipated for FY 2005. The Analyst recommends that, if funds become available, the Legislature consider providing an additional \$1.7 million (\$628,000 General Funds) for this critical need for FY 2005 in the Division of Child and Family Services.

2.9 DSPD: One-time General Fund Appropriation

The 2003 Legislature used \$350,000 of one-time General Funds in the FY 2004 budget of the Division of Services for People with Disabilities to partially offset a base General Fund reduction of \$1.1 million, mainly in the non-waiver services program. If funds become available, the Analyst recommends that the Legislature consider funding this critical need.

2.10 Services for People with Disabilities – Waiting List

Waiting List for Community-based Services

As of October 23, 2003, there were 1,929 people on the “immediate needs” waiting list for community-based services who are currently not receiving any services. It is estimated that to fund this list would cost approximately \$8.3 million dollars (General Fund). The Division maintains a second list of people identified with future service needs. This list now totals 703. Also, not part of either waiting list, are 83 individuals currently receiving some services, but waiting for additional services. This brings the total of all people waiting for services, either with immediate or future needs, to 2,715.

\$33 million in new funds provided for the waiting list since 1995

Since 1995, the Legislature increased the base service budgets of DSPD by approximately \$33 million (including \$8.9 million State Funds and \$2.8 million in TANF transfers) to provide services for people on the waiting list. Even so, the waiting list continues to grow. The Legislature has also appropriated another \$5.5 million in new base funding over the same time period for emergency community placement needs (including \$1.8 million State Funds and TANF transfers).

**Utah is sued over
Waiting List in
December 2002**

In December 2002, the Disability Law Center, on behalf of the ARC of Utah and individuals who have been waiting for community services, filed a class-action lawsuit in the U.S. District Court. The suit claims the State has unlawfully failed to provide services to individuals on the waiting list in violation of Medicaid law and the “Americans with Disabilities Act.” On August 26, 2003, the U.S. District Court dismissed the Medicaid claims of the lawsuit. The lawsuit is still progressing on the other claims.

**Recommended
Funding for the
Waiting List**

The Fiscal Analyst recommends, if funds become available, that the Legislature appropriates \$420,000 (General Funds) to be used exclusively for bringing people with disabilities off the waiting list. This amount, combined with expected Medicaid matching funds of \$966,000, would serve about 120 people. It’s important that the State continues to make an effort towards meeting the most urgent needs of these people.

2.11 Mental Health PASRR and Competency Evaluations Increasing

The number of Preadmission Screening and Resident Reviews (PASRR) required of all people before admission to a nursing home, and the number of competency evaluations ordered by the Courts, are increasing. The Analyst recommends that, if funds become available, the Legislature consider funding this critical need with a budget increase of \$200,100 (\$93,400 General Funds) for the Division Substance Abuse and Mental Health.

2.12 Portability for People with Disabilities Between ICFs/MR and Community Services

Since FY 2000, approximately 80 people have moved from Intermediate Care Facilities for People with Mental Retardation (ICFs/MR) to the Home and Community Based Services (HCBS) program. As people left the ICFs/MR, their vacated beds were backfilled with new residents, resulting in a strain on the Medicaid budget of the Department of Health. There has been no appropriation to fund this growth between the two systems. The portability program has been put on hold since FY2003.

2.13 TANF Fund Transfers to SSBG

During the last four sessions, the Legislature has approved transfers of Temporary Assistance to Needy Families (TANF) funds to the Social Services Block Grant (SSBG) to fund a variety of human services needs. The current transfer totals \$5,307,000. Congress has yet to reauthorize TANF, which expired on September 30, 2002. It is currently functioning by “continuing resolutions.” It is expected that the State will be able to transfer the same amount in FY 2005, but future transfers are questionable.

2.14 Future of Tobacco Settlement Funds for Drug Courts

State statute (63-97-20) allocates funding from the General Fund Restricted – Tobacco Settlement Account first to CHIP (Children’s Health Insurance Program), the Department of Health, then to Drug Courts and Boards, and finally to U of U Health Sciences Center. Scheduled payments by the tobacco industry and current state statute on how funds are to be used indicate that after FY 2005, available funding for Drug Courts and Boards will vary significantly and will be less than the current \$ 2million in all years (except for FY 2008 when \$2 million is again expected to be available). For FY 2006, estimated available funding will be only \$271,000.

2.15 Federal Medical Assistance Payments Match Rate Change

The Federal Medical Assistance Payments (FMAP) match rate changes from 71.60 percent to 72.01 percent effectively for State Fiscal Year 2005. This is the third year in a row that the Federal share of Medicaid costs has increased. For FY 2005, this rate change will realize a projected savings to the department estimated at \$817,600 in General Funds.

2.16 Division of Child and Family Services - Court Oversight

The David C. Settlement agreement expired in 1998, and a new Performance Milestone Plan was agreed upon with the plaintiff, the Court and the State. The Division must report compliance with the plan through the court appointed monitor, Paul Vincent, CEO of the Child Welfare Policy and Practice Group of Montgomery, Alabama.

In November 2002, the Court, recognizing limited resources of the State, ordered the parties involved to renegotiate a new “trimmed-down” child welfare plan and to provide the Court with a list of resourced needed to assurance compliance. The 2003 Legislature provided funds for an additional 51 caseworkers and trainers, which have now been hired. The State continues to meet with the judge and the plaintiffs in attempts to make the requirements of the Milestone Plan more reasonable and reachable and eventually discontinue the court’s oversight.

On December 8, 2003, another meeting was held with Judge Campbell and the plaintiffs. The judge requested DCFS to project two years to either complete the items in the Milestone Plan, with any agreed stipulations for trimming the plan, or to bring reasons why it is not possible. Stipulations for trimming the Plan are to be submitted to the judge within five months. Another status conference is set for June, 2004.

2.17 State Is Below Federal “Maintenance of Effort” Requirements

States receiving the Mental Health and the Substance Abuse Prevention and Treatment (SAPT) block grants are required to comply with a “Maintenance of Effort” (MOE) requirement or lose \$1 of the federal block grants for every dollar that State funding drops below the MOE. In FY 2005, the State support is projected to be about \$1.2 million short. The State has filed an appeal to the Secretary of Human Services for a waiver.

2.18 Providers’ Cost of Living Consideration

Statute (Budgetary Procedures Act) requires the Governor’s Office of Planning and Budget to “consider” funding wage and benefit adjustments (similar to those recommended for State employees) for employees of local health departments, local mental health and substance abuse authorities, area agencies on aging, private corporate contract providers of services to the Division of Services for People with Disabilities, Division of Child and Family Services, and the Division of Youth Corrections. In the 2003 Legislative Session, the Budgetary Procedures Act was amended to include the Legislature in that process as follows:

“In adopting a budget for each fiscal year, the Legislature shall consider an amount sufficient to grant local health departments, local mental health authorities, local substance abuse authorities, and area agencies on aging the same percentage increase for wages and benefits that is included in the budget for persons employed by the State.”

(HB 41, 2003 General Session)

All compensation adjustments will be considered by the Executive Appropriations Committee. However, to fund a one percent adjustment for all Divisions in the Department of Human Services (except Youth Corrections), the cost would be about \$1.3 million (\$678,200 General Fund). To fund a one percent adjustment for just mental health, substance abuse and aging services (as mentioned in HB 41), the cost would be \$285,700 (all General Fund).

4.0 Additional Information: Department of Human Services Summary

4.1 Funding History

	2001	2002	2003	2004	2005
Financing	Actual	Actual	Actual	Estimated*	Analyst
General Fund	\$202,792,800	\$206,669,780	\$200,509,600	\$199,272,900	\$199,272,900
General Fund, One-time		655,200		369,600	
General Fund Restricted	3,597,200	3,897,200	4,047,200	4,282,200	3,947,200
Federal Funds	103,601,347	106,068,669	107,495,130	119,187,300	118,893,100
Dedicated Credits	8,321,815	7,644,992	8,237,448	11,574,500	11,514,300
Federal Mineral Lease					
Transfers	121,730,404	134,129,509	136,673,657	133,126,800	133,206,300
Beginning Balance	5,089	1,450,694	2,176,350	4,152,600	3,112,700
Closing Balance	(1,450,210)	(2,167,550)	(4,152,600)	(3,112,700)	(1,209,200)
Lapsing Balance	(5,459,052)	(1,930,194)	(1,857,600)		
Total	\$433,139,393	\$456,418,300	\$453,129,186	\$468,853,200	\$468,737,300
Programs					
Human Services	\$433,139,393	\$456,418,300	\$453,129,186	\$468,853,200	\$468,737,300
Total	\$433,139,393	\$456,418,300	\$453,129,186	\$468,853,200	\$468,737,300
Expenditures					
Personal Services	\$161,475,260	\$166,913,232	\$165,161,234	\$169,631,958	\$169,025,700
In-State Travel	1,092,140	1,148,115	1,054,995	1,129,386	1,123,700
Out of State Travel	309,981	140,222	117,971	146,300	142,000
Current Expense	41,723,477	44,950,043	40,984,848	43,302,396	43,362,600
DP Current Expense	14,565,930	13,655,988	12,394,776	13,847,760	13,736,300
DP Capital Outlay	191,377	284,815	21,394	126,900	38,100
Capital Outlay	363,642	372,725	340,800	124,200	144,200
Other Charges/Pass Thru	213,417,586	228,953,160	233,053,167	240,544,300	241,164,700
Total	\$433,139,393	\$456,418,300	\$453,129,185	\$468,853,200	\$468,737,300
FTE/Other					
Total FTE	3,692	3,738	3,562	3,645	3,645
Retained Earnings	\$20,271	\$138,007	\$176,436	\$73,440	\$84,440
Vehicles	287	337	378	382	382

*Non-state funds as estimated by agency.